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Central Intelligence Agency



Washington, D.C. 20505

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14 April 1986

The Honorable Malcolm Baldrige
Secretary of Commerce
Washington, D.C. 20230

Dear Mac:

At the request of one of the members of the Senate Select Committee on Intelligence, we have sanitized and issued on an unclassified basis the enclosed assessment of "Soviet Needs for Western Petroleum Technology and Equipment." I forward a copy to you for whatever further use you and your colleagues at Commerce may wish to make of it.

Regards,

A handwritten signature in cursive script, appearing to read "W. Casey".

William J. Casey
Director of Central Intelligence

Enclosure:
As Stated

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Soviet Needs for Western Petroleum Technology and Equipment

Summary

The exploration and development of new oil and gas deposits in the USSR during the 1986-2000 period will pose increasingly complex technical challenges. Because Soviet industry will remain unable to supply the technology and high-quality equipment required for critical applications, the importance of Western equipment to the Soviet effort will increase markedly. In particular, deeper drilling in offshore and onshore exploration and development, as well as the exploitation of corrosive ("sour") oil and gas deposits, will require significant inputs of Western technology and equipment.

This memorandum analyzes the availability of Western technology and the supplementary measures adopted by the Politburo to ensure the reequipping of the Soviet oil and gas industries with improved equipment in the 1986-2000 period. Major equipment improvements are urgently needed to work oil and gas deposits under increasingly hostile operating environments onshore and offshore. Faster exploration and development of new oil reserves also is critical if Moscow is to avoid a sharper downturn in oil production, which provides 40 percent of domestic primary energy supply and 50 percent of the USSR's foreign earnings.

Soviet Energy Production

Since 1960, output of primary energy--crude oil, natural gas, coal, hydroelectric power, nuclear power, and minor fuels--has tripled. Growth has been uneven among the major fuels, however. Coal was the main fuel for the national economy before the mid-1960s but by 1985 its share of primary energy production was only 21 percent. Meanwhile, oil output soared from 3 million barrels per day (b/d) in 1960 to a peak 12.3 million b/d in 1983, before declining to 11.9 million (b/d) in 1985, an amount equal to 37 percent of